

THE ARC OF ST. MARTIN, INC.

St Martinville, Louisiana

FINANCIAL STATEMENTS

June 30, 2013 and 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date NOV 06 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Arc of St. Martin, Inc
St. Martinville, Louisiana

Report on the Financial Statements

We have audited the accompanying statements of financial position of The ARC of St. Martin, Inc (a non-profit organization) as of June 30, 2013 and 2012, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

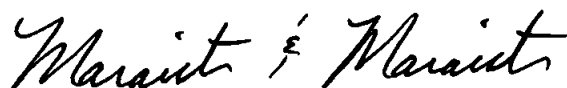
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The ARC of St. Martin, Inc as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2013 on our consideration of The ARC of St Martin's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering The ARC of St Martin's internal control over financial reporting and compliance.



Maraist & Maraist, CPA's

St Martinville, Louisiana
October 18, 2013

THE ARC OF ST. MARTIN, INC.
St Martinville, Louisiana
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

<u>ASSETS</u>		<u>2013</u>	<u>2012</u>
Current Assets			
Cash and cash equivalents	\$	200,566	\$ 71,487
Investments-certificates of deposit		102,428	146,433
Accounts receivable		262,971	266,331
Accrued interest receivable		84	123
Total current assets	\$	<u>566,049</u>	<u>\$ 484,374</u>
Fixed Assets			
Property and equipment, net	\$	<u>568,023</u>	<u>\$ 618,134</u>
Other Assets			
Investment in St Martin Villa, Inc	\$	<u>20,176</u>	<u>\$ 20,176</u>
TOTAL ASSETS	\$	<u>1,154,248</u>	<u>\$ 1,122,684</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities			
Accounts payable and accrued expenses	\$	33,415	36,899
Accrued salaries		43,006	38,375
Current portion of notes payable		17,185	22,245
Total current liabilities	\$	<u>93,606</u>	<u>\$ 97,519</u>
Notes payable, less current portion		67,536	84,736
Total liabilities	\$	<u>161,142</u>	<u>\$ 182,255</u>
Net Assets			
Unrestricted	\$	947,608	\$ 868,803
Temporarily restricted		45,498	71,626
Total net assets	\$	<u>993,106</u>	<u>\$ 940,429</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>1,154,248</u>	<u>\$ 1,122,684</u>

The accompanying notes are an integral part of these financial statements

THE ARC OF ST. MARTIN, INC.
St Martinville, Louisiana
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>REVENUES, GAINS AND OTHER SUPPORT</u>			
Public Support			
Contributions	\$ 12,049		\$ 12,049
Program revenues	2,685,875		2,685,875
Other Revenue			
Client fees	47,992		47,992
Membership dues	3,880		3,880
Work contracts	24,425		24,425
Thrift store sales	146,851		146,851
Sale of used equipment	2,500		2,500
Interest/dividend income	617		617
Net assets released from restrictions			
Federal Transit Administration Section 5310			
depreciation on restricted vans	26,128	\$(26,128)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>\$2,950,317</u>	<u>\$(26,128)</u>	<u>\$2,924,189</u>
<u>EXPENSES</u>			
Program services			
Adult habilitation	\$1,642,301		\$1,642,301
Residential services	569,783		569,783
Total program services	<u>\$2,212,084</u>	-	<u>\$2,212,084</u>
Support services			
General and administrative	659,428	-	659,428
TOTAL EXPENSES	<u>\$2,871,512</u>	<u>-</u>	<u>\$2,871,512</u>
CHANGE IN NET ASSETS	\$ 78,805	\$(26,128)	\$ 52,677
NET ASSETS, BEGINNING OF YEAR	<u>868,803</u>	<u>71,626</u>	<u>940,429</u>
NET ASSETS, END OF YEAR	<u>\$ 947,608</u>	<u>\$ 45,498</u>	<u>\$ 993,106</u>

The accompanying notes are an integral part of these financial statements

THE ARC OF ST. MARTIN, INC.
 St Martinville, Louisiana
STATEMENT OF ACTIVITIES
 Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>REVENUES, GAINS AND OTHER SUPPORT</u>			
Public Support			
Contributions	\$ 6,941		\$ 6,941
Program revenues	2,497,844		2,497,844
Grants revenues-FTA Section 5310			
Other Revenue			
Client fees	49,003		49,003
Membership dues	1,500		1,500
Work contracts	36,895		36,895
Thrift store sales	131,082		131,082
Interest/dividend income	1,348		1,348
Net assets released from restrictions			
Federal Transit Administration Section 5310			
depreciation on restricted vans	29,584	\$(29,584)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>\$2,754,197</u>	<u>\$(29,584)</u>	<u>\$2,724,613</u>
<u>EXPENSES</u>			
Program services			
Adult habilitation	\$1,708,792		\$1,708,792
Residential services	676,455	-	676,455
Total program services	<u>\$2,385,247</u>		<u>\$2,385,247</u>
Support services			
General and administrative	438,894	-	438,894
TOTAL EXPENSES	<u>\$2,824,141</u>	<u>-</u>	<u>\$2,824,141</u>
CHANGE IN NET ASSETS	\$ (69,944)	\$(29,584)	\$ (99,528)
NET ASSETS, BEGINNING OF YEAR	<u>938,747</u>	<u>101,210</u>	<u>1,039,957</u>
NET ASSETS, END OF YEAR	<u>\$ 868,803</u>	<u>\$ 71,626</u>	<u>\$940,429</u>

The accompanying notes are an integral part of these financial statements

THE ARC OF ST. MARTIN, INC.
St Martinville, Louisiana
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2013
(with comparative totals for the Year Ended June 30, 2012)

	<u>Adult Habilitation</u>	<u>Residential Homes</u>	<u>Total Program Services</u>
<u>FUNCTIONAL EXPENSES</u>			
Salaries and wages	\$ 1,257,048	\$ 285,064	\$ 1,542,112
Employee benefits	44,086	23,022	67,108
Payroll taxes	98,768	23,816	122,584
	<hr/>	<hr/>	<hr/>
Total salaries and related expenses	\$ 1,399,902	\$ 331,902	\$ 1,731,804
Maintenance & repairs	13,161	14,971	28,132
Professional fees	--	--	--
Supplies	366	7,528	7,894
Insurance	50,640	17,619	68,259
Interest	3,734	--	3,734
Utilities & telephone	7,662	14,540	22,202
Dues & publications	1,496	4,933	6,429
Automotive	77,731	6,171	83,902
Provider fees & licenses	1,091	57,876	58,967
Office expenses	8,788	399	9,187
Personal client needs	227	5,490	5,717
Travel, seminars, etc	3,715	--	3,715
Consultant fees	8,275	14,503	22,778
Educational	2,392	2,735	5,127
Dietary	7,854	31,331	39,185
Medical & nursing	5,425	4,156	9,581
Habilitation costs	--	29,405	29,405
Training	6,537	68	6,605
Association responsibility	4,338	--	4,338
Housekeeping	4,516	3,506	8,022
Other	--	--	--
	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	\$ 1,607,850	\$ 547,133	\$ 2,154,983
Depreciation	34,451	22,650	57,101
	<hr/>	<hr/>	<hr/>
Total expenses	\$ 1,642,301	\$ 569,783	\$ 2,212,084
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements

<u>Management and General</u>	<u>Year End Totals</u>	
	<u>6/30/13</u>	<u>6/30/12</u> (Memorandum Only)
\$ 453,922	\$ 1,996,034	\$ 1,909,055
33,050	100,158	118,207
<u>40,832</u>	<u>163,416</u>	<u>158,271</u>
\$ 527,804	\$ 2,259,608	\$ 2,185,533
12,869	41,001	34,474
17,565	17,565	19,333
9,280	17,174	23,584
24,131	92,390	96,744
--	3,734	6,603
22,066	44,268	46,880
7,629	14,058	19,995
202	84,104	75,398
--	58,967	57,762
18,584	27,771	25,348
--	5,717	3,830
2,935	6,650	9,242
--	22,778	19,045
--	5,127	22,842
--	39,185	44,678
--	9,581	15,207
--	29,405	27,221
333	6,938	6,274
276	4,614	1,868
--	8,022	1,822
<u>244</u>	<u>244</u>	<u>6,994</u>
\$ 643,918	\$ 2,798,901	\$ 2,750,677
<u>15,510</u>	<u>72,611</u>	<u>73,464</u>
<u>\$ 659,428</u>	<u>\$ 2,871,512</u>	<u>\$ 2,824,141</u>

THE ARC OF ST. MARTIN, INC.
St Martinville, Louisiana
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>2013</u>	<u>2012</u>
Change in net assets	\$ 52,677	\$ (99,528)
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation	72,611	73,464
(Increase)/decrease in accounts receivable	3,360	(77,315)
Increase/(decrease) in accounts payable and accrued expenses	(3,484)	14,399
(Increase)/decrease in accrued interest receivable	39	347
Increase/(decrease) in accrued salaries	4,631	13,342
Net cash provided by operating activities	\$ 129,834	\$ (75,291)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Redemption of long-term certificates of deposit	\$ 44,005	\$ 81,819
Purchase of fixed assets(net)	(22,500)	(62,474)
Net cash used for investing activities	\$ 21,505	\$ 19,345
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from debt financing	\$ --	\$ --
Debt principal payments	(22,260)	(18,640)
Net cash from financing activities	\$ (22,260)	\$ (18,640)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 129,079	\$ (74,586)
CASH AND CASH EQUIVALENTS-Beginning of Year	71,487	146,073
CASH AND CASH EQUIVALENTS-End of Year	\$ 200,566	\$ 71,487
<u>SUPPLEMENTAL DATA</u>		
Interest Paid	\$ 3,848	\$ 6,659

The accompanying notes are an integral part of these financial statements

THE ARC OF ST. MARTIN, INC.
St Martinville, Louisiana
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The ARC of St Martin, Inc is a Louisiana non-profit community organization governed by a volunteer board of directors, which operates an adult habilitation center and two residential community homes serving the needs of the mentally retarded and developmentally disabled citizens of St Martin Parish, Louisiana The Association was incorporated in August, 1986, and its mission is to provide day care services, work training services, respite and personal care services to the developmentally disabled, and residential housing for qualifying disabled individuals

Basis of Presentation

The accompanying financial statements of the Association have been prepared on the accrual basis of accounting, in conformity with generally accepted accounting principles As required by Generally Accepted Accounting Standards, net assets and activities are classified in the following manner

- (1)Unrestricted net assets-Net assets that are not subject to significant donor-imposed stipulations
- (2)Temporarily restricted net assets-Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Association and/or the passage of time
- (3)Permanently restricted net assets-Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Association pursuant to those stipulations

Support and Expenses

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions Expenses are recorded when incurred, in accordance with the accrual basis of accounting

Restrictions on net assets at June 30, 2013 and June 30, 2012 relate to transportation vans obtained by the Association through Section 5310 of the Federal Transit Act, which provides for capital grants for the specific purpose of assistance in providing transportation services to meet the special needs of elderly and disabled persons for whom mass transportation services are unavailable, insufficient, or inappropriate The program is administered by the Louisiana Department of Transportation and Development The vans obtained with these funds must be used for transportation services for the elderly and disabled within the Association's service area The Department of Transportation and Development must be immediately notified if the equipment is not used in the aforementioned manner or if it is withdrawn from service Disposition of the vehicle must have DOTD approval and must be in conformity with the provisions of OMB Circular A-102, Attachment N Dispositions must be at current market value and a portion of the funds received must be returned in proportion to the original percentage of Federal funds contributed

It is the policy of the Association to amortize the asset restricted over its estimated useful life using the straight-line method Temporarily restricted assets at June 30, 2013 and 2012 respectively, were \$45,498 and \$71,626

THE ARC OF ST. MARTIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)**

Many volunteers have donated significant amounts of time and service to the ARC of St. Martin's special events. The value of this contributed service is recognized if the services require specialized skills and the Association would be required to purchase these services if donated services were not available. None of the contributed services received during the years ended June 30, 2013 and 2012 were recognized as revenue.

Cash Equivalents

The ARC of St. Martin considers all cash accounts and certificates of deposit with a maturity of three months or less when purchased to be cash and cash equivalents. Fair values approximate carrying values for all cash equivalents, due to the initial maturities of the instruments being three months or less.

Investments

Investments of the ARC of St. Martin, Inc. consist exclusively of long-term certificates of deposit, and are presented in the financial statements at cost, which approximates fair market value. The Association held no investments in marketable securities or government bonds for fiscal years ended June 30, 2013 or 2012.

Income Taxes

The Association accounts for income taxes in accordance with income tax accounting guidance included in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). On January 1, 2009, the Association adopted the recent accounting guidance related to accounting for uncertainty in income taxes, which sets out consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax provisions.

The ARC of St. Martin, Inc. qualifies as a tax-exempt organization other than a private foundation under Section 501 (c) (3) of the Internal Revenue Code and Section 121(5) of Title 47 of Louisiana Revised Statutes of 1950. Therefore, no provision for federal income taxes has been made in the accompanying financial statements and the Association does not have any uncertain tax positions.

Third Party Revenues

A substantial share of the Association's contract revenues for services to clients is derived under federal and state third-party reimbursement programs. These revenues are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party providers. Retroactive adjustments, if any, would not be material to the financial position or results of operations of the Association. There were no retroactive adjustments paid to third party payers for the years ended June 30, 2013 or 2012.

Property and Equipment

The Association follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Contributed property and equipment is recorded at fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful life of each asset generally as follows:

Buildings	40 years
Improvements	10 years
Furniture and Equipment	7 years
Vehicles	5 years

THE ARC OF ST. MARTIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)**

Expenses for maintenance, repairs and renewals of minor items are charged to earnings as incurred. Betterments and renewals are capitalized. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations for the period.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Estimates

The preparation of the Association's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) **ACCOUNTS RECEIVABLE**

Accounts receivable primarily represent amounts due from various Federal/State agencies and are deemed to be fully collectible by management, and therefore, no allowance has been provided for bad debts. As of June 30, 2013 and 2012, accounts receivable was composed of the following:

	<u>2013</u>	<u>2012</u>
Louisiana Dept. of Health and Hospitals-Office		
For Citizens with Developmental Disabilities	\$ 184,335	\$ 239,414
Work contracts receivable	2,540	3,565
Due from United Way	-0-	303
Thrift store receivables	-0-	1,311
Due from affiliates	76,096	13,421
Due from clients/employees	-0-	8,317
	<hr/>	<hr/>
Total	<u>\$ 262,971</u>	<u>\$ 266,331</u>

(3) **PROPERTY, EQUIPMENT AND DEPRECIATION**

Depreciation of fixed assets is calculated on the straight-line basis over the estimated useful lives of the assets. The cost of such assets at June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Land and buildings	\$ 770,812	\$ 748,312
Furniture, fixtures, & equipment	64,096	73,670
Vehicles	494,668	494,668
Subtotal	<u>\$ 1,329,576</u>	<u>\$ 1,316,650</u>
Less: Accumulated Depreciation	<u>(761,553)</u>	<u>(698,516)</u>
Total	<u>\$ 568,023</u>	<u>\$ 618,134</u>

Depreciation expense was \$72,611 and \$73,464 for the years ended June 30, 2013 and 2012, respectively.

THE ARC OF ST. MARTIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

(4) **NOTES PAYABLE**

The notes payable balance consists of a real estate mortgage note dated January 24, 2009, in the original amount of \$148,150, bearing interest at 6 5% per annum, payable in monthly installments of \$1,499 94, with a carrying value of \$12,154, payable to St Martin Bank and Trust, and secured by a mortgage on the Association's thrift store building and property, located on North Main Street in St Martinville, LA Interest expense on the note for the year ended June 30, 2013 was \$1,538, and for the year ended June 30, 2012 was \$2,331

Additionally, On October 15, 2010, the Association purchased another thrift store building and property located on East Bridge Street in Breaux Bridge, LA The note payable balance with St Martin Bank and Trust, in the original amount of \$86,176, and bearing interest at 5 25% per annum, payable in monthly installments of \$800 00, with a carrying value of \$72,567, is secured by a mortgage on the store building and property Interest expense on the note for the year ended June 30, 2013 was \$2,196, and for the year ended June 30, 2012 was \$4,272

The annual requirements to amortize these notes at June 30, 2013, including interest of \$27,849, are as follows

Years Ending	St Martinville <u>Store</u>	Breaux Bridge <u>Store</u>	<u>Totals</u>
June 30, 2014	\$ 12,463	\$ 9,600	\$ 22,063
June 30, 2015	-	9,600	9,600
June 30, 2016	-	9,600	9,600
June 30, 2017	-	9,600	9,600
June 30, 2018	-	9,600	9,600
June 30, 2019-2023	-	48,000	48,000
June 30, 2024	-	4,107	4,107
Totals	<u>\$ 12,463</u>	<u>\$100,107</u>	<u>\$112,570</u>

(5) **FAIR VALUE OF FINANCIAL INSTRUMENTS**

In accordance with the Fair Value Measurements and Disclosure topic of FASB ASC, disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet is required Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date Fair value is best determined based upon quoted market prices In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments Therefore, the aggregate fair value amounts presented do not represent the underlying value of the Association

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not forced liquidation or distressed sale) between market participants at the measurement date under current market conditions If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires use of significant judgment The fair value is a reasonable point within the range that is most representative of fair value under current market conditions

THE ARC OF ST. MARTIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

(5) FAIR VALUE OF FINANCIAL INSTRUMENTS(Continued)

Fair Value Hierarchy

In accordance with this guidance, the Association groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value

Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used by the Association in estimating its fair value disclosures for financial instruments:

Investment in Certificates of Deposit – The fair value of investments in certificates of deposits is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, fair value is estimated using pricing models or quoted prices of securities with similar characteristics, at which point the securities would be classified within Level 2 of the hierarchy.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2013			
Certificates of Deposit	— -	<u>\$102,428</u>	— -
June 30, 2012			
Certificates of Deposit	— -	<u>\$146,433</u>	— -

(6) RETIREMENT PLANS

The ARC of St. Martin, Inc. does not have or sponsor an employee retirement plan. All employees of the ARC of St. Martin, Inc. are covered by the Social Security System. The Association and its employees contribute a percentage of each employee's salary to the System (7.65% contributed by the Association, 7.65% thru December 31, 2012 and 7.65% thereafter contributed by the employee). The Association's contributions during the year ended June 30, 2013 amounted to \$152,038.

THE ARC OF ST. MARTIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

(7) **COMPENSATED ABSENCES**

Employees of The ARC of St Martin, Inc are entitled to paid vacation, paid sick leave, and personal days off, depending on job classification, length of service, and other factors. Leave time not used in the fiscal period that it is earned cannot be carried over to subsequent periods, and is forfeited. Therefore, there is no material accumulated leave at June 30, 2013 and 2012 and accordingly, no liability has been recorded in the accompanying financial statements for compensated absences.

(8) **FIDUCIARY FUNDS**

The Association acts as a fiduciary agent for the residents of its Community Homes Program. Checking accounts are maintained for each resident, as applicable. Deposits include the resident's social security benefits, their payroll checks, and miscellaneous gifts from family members. Disbursements consist of daily living expenses, based upon the residents' individual needs. The balances in these checking accounts at June 30, 2013 and 2012 was \$7,931 and \$8,440. These funds are not included in the statement of financial position of the ARC of St Martin.

(9) **CONCENTRATIONS OF REVENUE/CASH BALANCES**

The Association receives federal and state funding on a per diem per client/unit basis. Federal and state matching funds from the Department of Health and Human Services, passed through the Louisiana State Department of Health and Hospitals Office of Family Security, Medical Assistance Program – Medicaid/Title XIX are on a per diem basis. These payments, reported as residential and habilitation service fees, are considered a payment for a service as opposed to a grant award. In addition, the Association receives state grants from the Department of Health and Hospitals Office for Citizens with Developmental Disabilities on a per diem basis.

If significant budget cuts are made at the federal, state and/or local levels the amount of funding the Association receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Association will receive in the next fiscal year. Should such a reduction in funding occur, however, management believes that changes can be incorporated into the continuing operations without a catastrophic result.

The Association maintains substantially all of its cash deposit accounts at St Martin Bank and Trust and Midsouth Bank. Cash accounts at banks are insured by the FDIC for up to \$250,000 at 6/30/13 and 6/30/12. Cash and certificate of deposit balances at these institutions did not exceed federally insured limits as of June 30, 2013 and 2012, respectively.

(10) **LITIGATION**

There is no litigation pending against The ARC of St Martin at June 30, 2013 in which the result would have a material adverse effect on the accompanying financial statements, and accordingly, no provision for losses has been recorded.

(11) **INVESTMENT IN ST MARTIN VILLA, INC**

The investment in St Martin Villa, Inc represents a capital contribution from The ARC of St Martin to the St Martin Villa, Inc, which is a non-profit corporation sponsored by The ARC of St Martin, Inc. The St Martin Villa is a rental facility operated for the benefit of individuals with disabilities.

THE ARC OF ST. MARTIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

(12) **BOARD OF DIRECTORS**

Members of the Board of Directors are elected annually by the members of the Association, and serve on a voluntary basis. The directors receive no compensation for their services.

(13) **RISK MANAGEMENT**

The Association is exposed to risks of loss in the areas of auto liability, property liability, fidelity bond and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the years ended June 30, 2013 or June 30, 2012.

(14) **SUBSEQUENT EVENTS**

The Association has evaluated events and transactions for potential recognition or disclosure through October 18, 2013, the date on which the financial statements were available for issue, and has determined that no events occurred that require disclosure.

INTERNAL CONTROL AND COMPLIANCE

MARAIST & MARAIST

CERTIFIED PUBLIC ACCOUNTANTS

(A PARTNERSHIP OF PROFESSIONAL ACCOUNTING CORPORATIONS)

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CHARLES M MARAIST, CPA *

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF
LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
The ARC of St Martin, Inc
St Martinville, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of The ARC of St Martin, Inc (a nonprofit organization), which comprise the statements of financial position as of and for the years ended June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2013

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The ARC of St Martin's internal control over financial reporting(internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ARC of St. Martin's internal control Accordingly, we do not express an opinion on the effectiveness of the ARC of St Martin's internal control

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

To the Board of Directors of
The ARC of St. Martin, Inc

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Audit Findings and Responses as item 13-1, that we consider to be a significant deficiency.

Compliance and Other Matters

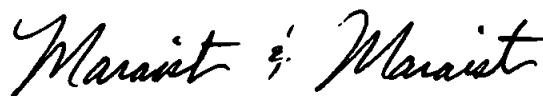
As part of obtaining reasonable assurance about whether The ARC of St. Martin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

ARC of St. Martin's Response to Findings

The ARC of St. Martin's response to the finding identified in our audit is described in the accompanying schedule of audit findings and responses. The ARC of St. Martin's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Maraist & Maraist, CPA's

St. Martinville, Louisiana
October 18, 2013

THE ARC OF ST. MARTIN, INC.
St Martinville, Louisiana

Schedule of Audit Findings and Responses

Year Ended June 30, 2013

Part I: Summary of Audit Results:

- 1 The auditor's report expressed an unqualified opinion on the financial statements of the ARC of St Martin, Inc
- 2 One control deficiency relating to the financial statements of the ARC of St Martin, Inc was reported in the *"Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards,"* (Item 13-1), however, it was not considered to be a material weakness
- 3 No instances of noncompliance material to the financial statements of the ARC of St Martin, Inc were reported in the *"Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards"*
- 4 There was no single audit requirement under OMB Circular A-133

Part II: 2013 Findings – Financial Statement Audit:

INTERNAL CONTROL

13-1 Segregation of Duties

Condition Due to the small number of employees, the Association did not have adequate segregation of functions within the accounting system

Criteria Segregation of duties should be adequate to provide effective internal control

Effect The segregation of duties is inadequate to provide effective internal control

Recommendation No action is recommended It would not be cost effective to increase the size of the staff to achieve effective segregation of duties

Management's Response We concur with the finding

Contact Person Carolyn Fuselier, Administrator

COMPLIANCE

None

Part III: Management Letter:

No findings for the year ended June 30, 2013

THE ARC OF ST. MARTIN, INC.
St Martinville, Louisiana

Schedule of Prior Year Audit Findings

Year Ended June 30, 2013

Part I: 2012 Findings - Financial Statement Audit:

INTERNAL CONTROL

12-1 Segregation of Duties

Condition Due to the small number of employees, the Association did not have adequate segregation of functions within the accounting system

Current Status A similar finding was noted in the current year

COMPLIANCE

None

Part II: Management Letter

No reported findings for the year ended June 30, 2012